Evaco Ltd

21 March 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	473	**CARE MAU A- (SO)*; Stable [Single A Minus Structured Obligation; Outlook: Stable]**	**Reaffirmed**
Total	**473**		

**Structured Obligation is for the ring fencing of cash flow by way of escrow mechanism completely under the purview of bank at each GFA level. Any surplus cash can only be paid to* the *sponsor only with the prior approval of the bank in charge of the escrow account.*

Rating Rationale

The rating is supported by the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of principal & interest of the rated Bond, as per the terms of the transaction and is not a standalone rating of Evaco Ltd. ("Evaco").

The structure involves debt servicing of the Bond issue (MUR 473 million) and existing Bond issue (MUR 644 million) from the cashflows of the Cap Marina project (only project being developed by Evaco group as on January 2022) to be maintained in a designated account with SBM Bank Ltd through a ring-fenced waterfall mechanism and excess cashflow, in designated account, cannot be utilised for any other future real estate development without prior approval of Noteholder's Representative (SBM Fund Services Ltd).

The rating, assigned to the Bond Issue of MUR 473 million of Evaco, derives strength from the experienced promoter with 20 years track record in development of high-end residential real estate in Mauritius- mostly for overseas buyers (European & South African), prime location of the developed properties and newly constructed property, sale and build concept followed for all projects, satisfactory reputation of Evaco among its clients & bankers for quality of construction & completion of most of the projects well within envisaged timelines and strong demand for luxury residentials in Mauritius. The rating also takes into cognisance sale of 202 units (out of 318 units to be sold) of Cap Marina project, under-construction phases being backed by GFA from reputed Banks, satisfactory progress of the project and presence of structured mechanism & Designated Account – ensuring priority of usage of excess cashflow from Cap Marina project for debt servicing of the Bonds.

The Rating, is however, constrained by the project implementation risk associated with development and construction of the various phases of the project, market risk associated with sale of luxury residentials and property development, delay in sale of the remaining units leading to lower-than-projected cashflow, volatility in interest rate and the regulatory risk in case there are changes pertaining to laws associated with property development and sale.

Rating sensitivities

Positive factors that could lead to positive rating action / upgrade:

- Timely completion of projects within cost parameters
- Ability to achieve targeted sale within envisaged rate and time frame.

Negative factors that could lead to negative rating / downgrade:

- Additional debt by Evaco over MUR 2,035 million
- Delay in construction of the villas at Cap Marina thus delay in receipt of sale proceeds.

[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

CARE Ratings (Africa) Private Limited

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BACKGROUND

Incorporated on April 3, 2002, Evaco Ltd ('‘Evaco’') emerged from a real estate development company to a holding and investment entity. It is a 100% subsidiary of Société A. Mayer which is fully owned by Mr. Arnaud Mayer, the founder, and Chairman of Evaco Group. Evaco acts as a group corporate executive office with its global head offices located in Mauritius. It is a public limited liability company, and its principal activities consist of property and real estate development, construction, manufacturing, and hospitality & leisure. As of December 31, 2022, Evaco Group has developed real estate projects on a total area of 431,000 sqm. With over 20 years of experience, Evaco group is recognized as one of the key players in important sectors of the economy.

Management: Evaco Group is a professionally managed company and is governed by 7-member Board of Director with 4 Executive and 3 Independent Directors. The strategic affairs of the company are looked after by the founder and chairman, Mr. Arnaud Mayer. Mr. Alexandre Gourel de St Pern is the Chief Executive Officer. They are assisted by a team of qualified and experienced professionals for managing the day-to-day operations of the company.

Cap Marina Project: Cap Marina is the only real estate project currently being developed by Evaco in the village of Cap Malheureux. The project comprises of construction of 318 high-end residential villas, duplexes, and apartments under the Property-Development-Scheme (PDS) of Govt. of Mauritius (GoM) for selling to foreigners & expats (primarily South Africans and Europeans) and development of 21 Villas for the locals. As per GoM Regulation, all residential developments under PDS Schemes (targeted for international clients) should be under VEFA Regulation (Vente en État Futur d'Achèvement) – governed by Civil Law of Mauritius and requires a Financial Completion Guarantee (GFA) from a reputed Bank.

Banks provide GFA – whereby it undertakes to complete the project and deliver the product to the buyer in case the developer has failed to do so. The entire Cap Marina project is on "Sale and Build" model. As on February 2023, out of 318 villas to be sold, Evaco has signed Agreement for 202 villas and has received part payments (5%-15%). Bond issue of MUR 473 million will be serviced from the cashflow of the Cap Marina project. The cashflow from Cap Marina project cannot be utilised for any future projects, since the same has been ring-fenced through GFA and waterfall mechanism. However, the same will be utilised for repayment of the Bond issue of MUR 644 million (proposed repayment in FY24 and FY25).

The Rating is completely dependent on the successful execution of the Cap Marina project under construction and timely sale of the balance phases. Hence, the rating is dependent on operational and financial performance of Cap Marina project, since annual cashflow of Evaco will depend on the cashflow of Cap Marina project.

Performance of Evaco consolidated: At Group level for FY22, we note that Evaco group achieved 74% growth in revenue. EBITDA improved from negative MUR 211million to positive EBITDA of MUR 93 million. PAT improved steadily from loss of MUR 212 million in FY21 to positive PAT of MUR 25 million. As of June 30, 2022, Evaco Group had total debts of MUR 1,782 million and overall gearing was at 3.55 times.

Performance of company: For Evaco Ltd, we observe that, even though a drop in total income in FY22, PAT has improved significantly from MUR 2 million in FY21 to MUR 38 million in FY22. GCA was comfortable at MUR 46 million. As on June 30, 2022, the company had an overall debt of MUR 1,239 million, attributing 0.46x of gearing ratio.

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Disclaimer

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Annexure II

Long /Medium-term Instruments

Symbols	Rating Definition
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU AA to CARE MAU C. The modifiers reflect the comparative standing within the category.

A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation".

A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

Rating Outlook

The rating outlook can be 'Positive', 'Stable' or 'Negative'.

A 'Positive' outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.

A 'Negative' outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.

A 'Stable' outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

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About CARE Ratings (Africa) Private Limited:
CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.
CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.
CRAF’s Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.
CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.